



DEPARTMENT OF TAXATION

NEWS RELEASE

LINDA LINGLE
GOVERNOR

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**STATE DEPARTMENT OF TAXATION OFFERS TAX RELIEF
FOR RESIDENTS AFFECTED BY EARTHQUAKE**

HONOLULU – In response to the 6.7-magnitude earthquake that struck Hawai`i on October 15, the state Department of Taxation has announced steps to assist residents and businesses who may have difficulty meeting their tax obligations as a result of temporary loss of electrical power, property damage or personal injury.

The department will consider requests for extensions to file and pay taxes and waivers of penalties and interest on a case-by-case basis. In addition, the department will follow federal casualty loss provisions as allowable under the President's declaration of a major disaster.

Taxpayers whose Hawai`i employer's withholding taxes were due October 16 and who could not meet this deadline because of the earthquake, may file their returns and pay

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the tax due by November 15, 2006, without incurring any penalties or interest. Each request should include a statement as to how the earthquake adversely impacted the taxpayer, and all returns should be clearly marked "2006 Earthquake Relief" on the top of the form.

Companies with employees at several locations in the state, including locations not affected by the earthquake, must file their returns on time. If complete information is not available by the due date of the return, an amended return should be filed when the information becomes available.

For purposes of Hawai'i income tax law, taxpayers may claim all casualty losses on business property. The first \$100 of unreimbursed losses on non-business property is not deductible. The remaining unreimbursed loss is deductible to the extent it exceeds 10 percent of the taxpayer's Hawai'i adjusted gross income. The following options are available after determining the amount of losses:

Under the President's proclamation of a major disaster, taxpayers may claim a casualty loss deduction on their 2005 income tax returns, instead of on their 2006 income tax returns, for losses from the earthquake (an amended return must be filed if this option is chosen); or

Taxpayers may elect to deduct the losses on their 2006 income tax returns; or

Taxpayers may elect to deduct the losses in five equal installments over five

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consecutive years, beginning with their 2006 income tax return; or

If taxpayers' casualty losses are more than income, a net operating loss may result.

This loss may be used to lower taxes in an earlier year or a later year. Taxpayers do not have to be a business to claim this benefit.

In addition, under a State Disaster Proclamation issued by Governor Linda Lingle on October 15, taxpayers may be eligible for a general excise tax exemption if they receive payments from property and casualty insurance policies for damage or loss of inventory used in a trade or business.

Tax forms and information are available on the department's Web site at www.hawaii.gov/tax or by calling (808) 587-7572, or toll-free from the neighbor islands and continental United States at (800) 222-7572. This service is available 24 hours a day, seven days a week.

Additional information is available by calling the Taxpayer Services Branch during business hours at (808) 587-4242, or toll-free at 1-800-222-3229, or by e-mailing Taxpayer.Services@hawaii.gov.

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For more information, contact:
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